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SUBSTANTIVE PREPARATION FOR THE CONFERENCE

PROGRAMME OF ACTION FOR THE LEAST DEVELOPED COUNTRIES IN THE 1990s

Text prepared by the Chairman of Working Group I

I. INTRODUCTION

1. In this increasingly interdependent world, we all share a joint responsibility for creating favourable international economic conditions and in strengthening international cooperation which will help create an environment for sustained economic growth and development.

2. This growing interdependence challenges us all to forge an understanding of the principles which will lead to accelerated economic growth, sustained and sustainable development, and reversal in the decline in economic well-being experienced by many in the 1980s. The least developed countries have structural problems which are unique in their nature and degree: they are therefore deserving of special international support.

3. The prime objective of the Programme of Action for the LDCs during the current decade is to arrest the further deterioration in their socio-economic situation, to reactivate and accelerate growth and development in these countries and in the process put them to the path of sustained growth and development. The Programme of Action outlines a number of principles which should constitute the basis for action for the LDCs, their development

partners including international organizations and financial institutions, [and as well as concerned NGOs] to help a fundamental growth-oriented transformation of the LDC economies. These principles imply the acceptance of a partnership which depends upon mutually reinforcing action with each country contributing to the common objective to spur and sustain growth in the LDCs. The Programme also seeks primarily to provide an efficient operational framework and identifies areas in which the LDCs, their development partners and international organizations need to take urgent and concrete action based on these principles, policies and commitments enumerated below.

I. Basic principles

Principle No.1: success depends on [a shared responsibility and] a strengthened partnership for the growth and development of LDCs

4. The over-riding objective of reactivating and accelerating growth and sustained development requires strengthened joint efforts, by LDCs and their development partners, to implement sound strategies. The development partnership is based upon an open dialogue which creates a mutually re-inforcing process of national initiative from the LDCs and international support provided by the international community.

5. In this partnership the LDCs have the responsibility for elaborating and implementing effective development strategies and policies conducive to broad-based growth, adapted to their individual characteristics and responsive to the real needs of the population. This implies development partners provide adequate support to LDCs' endeavours, based on these policies, taking into account the LDCs' structural handicaps and weaknesses. There are also unique opportunities and benefits to be gained through greater co-operation with other developing countries.

6. It is essential that all countries work together to develop more favourable international economic conditions and a more open trading system.

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Principle No. 2: The least developed countries have the primary responsibility for the formulation and effective implementation of appropriate policies and priorities for their growth and development.

7. Specific priorities and means to implement them will necessarily vary among LDCs according to their unique endowments and needs. However, national strategies should revolve around these major common policy axes:

(a) Creation of a domestic economic environment which is conducive to a sustained growth and sustainable development in the LDCs and a stable and growth-oriented macro-economic framework;

(b) Structural adjustment should seek to accelerate the transformation of LDC economies and overcome their particular structural problems in a manner consistent with, and supportive of medium-term plans and long-term economic and social objectives bearing in mind the need for development with a human face;

(c) Identification and promotion of long-term, sectoral priorities [adoption of market-oriented policies], designed to expand, strengthen and modernize the productive base while pursuing a sound management of the natural environment, taking into account the specific causes and individual characteristics of the LDCs;

(d) [Adoption of policies that streamline the public sector including increasing the efficiency of public enterprises, and policies that stimulate the development of, and enhance the contribution of, the private sectors of the LDCs, inter alia, through competition];

OR

(d) [Adoption of market-oriented policies and greater scope for private sector and more efficient management of public sector enterprises, inter alia, by subjecting them to market forces];

(e) Adoption of policies to reduce poverty by creating employment opportunities and broadly-based growth, making more widely available

the opportunities for and the benefits of the improved productive capacity, pursuing appropriate demographic and population policies, enhancing the access to productive activities and by initiating appropriate social programmes in such important areas as health, education, and nutrition of vulnerable groups, in particular women and children;

(f) Building institutions, based upon [democratic and equitable principles] that allow for broad-based popular participation in the development process.

8. These policy axes require a strengthening of human and institutional capacities for an effective management of the development process. Governments should provide the appropriate framework so all actors in society especially peasant farmers, entrepreneurs, workers, NGOs, and local and regional entities can make their own distinctive contribution.

Principle No.3: The strengthened partnership for development requires the provision of adequate external support by the LDCs' development partners

9. The international community should assist the least developed countries in pursuing effective policies of development and its commitments should be based on the following axes:

(a) Extend support to policies that promote long-term growth and structural adjustment programmes adapted to the particular needs and circumstances of the LDCs bearing also in mind the need to restore stability in the macro-economic framework;

(b) Extend support to sectoral policies and programmes designed and implemented for strengthening and diversification of the LDC economies in particular through expansion and modernisation of their productive base;

(c) Substantial support would also be extended to the LDCs to enable them to address effectively environmental concerns in the context of their accelerated development;

(d) Specific initiatives as discussed later and including, but not restricted to, human resource development, land reform and rural development, rehabilitation and expansion of the productive base, more efficient management of the public sector, greater scope for the private sector and advancement of women;

(e) Development partners should assist as appropriate the least developed countries by providing adequate concessional development assistance in the form of finance and transfer of technology and skills and other complementary supports in the areas of access to markets for their exports, debt relief, assistance in the field of commodities and compensatory financing.

[Principle No. 4: Commitments undertaken should be measurable and sufficiently transparent to enable monitoring and assessment of the programme of action for the 1990s]

10. The approach to the development of the LDCs calls for commitment and strengthened joint efforts on the part of both LDCs and their development partners to render the programme of action operational, implement its constituent parts and ensure coherence and complementarity between national and international efforts. In this context, sound predictable structural adjustment policies and predictability and adequacy of resource flows will be a crucial component in the success of the implementation of the programme [and hence the need to incorporate therein targets on resource flows and specific performance indicators at the national and international levels]. Specific follow-up mechanisms at national and international levels should constitute an integral part of the Programme of Action.

11. While much remains to be done, there is no doubt that awareness of the special requirements and problems of the least developed countries is more manifest than in the past. The programme of action outlined below is aimed precisely at translating such awareness into concrete and optimal results.

II. GLOBAL FRAMEWORK

A. The macro-economic policy framework

12. The objective of macro-economic policy is to create a favourable environment and constitute a basis for sustained economic growth and the long-term development of the economy. The macro-economic policy framework should provide the basis to overcome the structural bottle-necks of the least developed countries, lead ultimately to their transformation and contribute to the eradication of poverty. Pursuit of such policies would be greatly assisted by efforts of the international community to encourage an international economic environment conducive to such change and the provision of adequate external support. Assistance should be made available to the least developed countries to help them face their critical development needs and strengthen their institutional capacity to design and implement their macro-economic framework and policies.

13. For the efforts of the LDCs to be successful there is a need for all countries to implement national and international policy measures to improve the environment for accelerated and sustainable development. Major market-economy countries should continue to adopt co-ordinated policies to promote stable, sustainable, non-inflationary growth, enhance the positive impact on development of measures to deal with their mutual imbalances and to strengthen mechanisms for the ongoing process of multilateral surveillance of economic policies.

14. A growth-oriented macro-economic framework should be consistent yet have room for flexibility as regards types of instruments to be used and the manner of their application, taking account of changing circumstances and/or the structural rigidities of a particular economy. The policy package should be adapted to the specific problems and needs of individual LDCs and the resource parameters. It would be important to reconcile the requirements of a long-term development strategy and the need to rapidly re-establish macro-economic balance: adjustment financing is necessary but there should also be adequate financing and support at the sectoral level in the social and economic fields.

15. The following policy guidelines should be borne in mind in the design and implementation of the LDCs' macro-economic programmes, including those negotiated by individual countries with multilateral financial institutions such as the IMF and the World Bank:

(i) Policies and measures should focus on the basic transformational needs of LDCs and aim at the acceleration of long-term growth and development in LDCs;

(ii) Particular attention needs to be paid to the linkages between the different economic activities, as well as to the interaction of sectoral reform with broader macro-economic objectives. Some degree of selectivity as regards macro-economic instruments needs to be introduced or maintained so as to ensure an efficient allocation of resources among alternative activities. The establishment of efficient markets and the use of price signals to guide resource allocation are important factors;

(iii) It is also an objective of macro-economic policy to establish external, monetary and fiscal stability and wherever this has to be restored, there should be flexibility in the time span of adjustment and the sequencing of reforms. However, early recognition of the need for adjustment and quick action will facilitate a return to long-term growth and stability. The design of structural adjustment policies should take into account social factors, and development partners should support efforts to protect the poorest and most vulnerable groups consistent with the overall programme;

(iv) A stable and realistic exchange rate will support macro-economic objectives and may contribute to balance in the external accounts. It can help stimulate a vigorous and competitive export sector when combined with other, appropriate policy initiatives including measures to reduce domestic structural rigidities and to diversify exports, bearing in mind the international supply and demand factors affecting traditional exports;

(v) There are a number of initiatives and conditions which will encourage necessary investment, whether from domestic or foreign sources. The most important are policies to promote savings through positive real interest

rates, and a stable domestic environment including appropriate legal and administrative institutions. It is also essential to have an appropriate system of taxation, a predictable and stable regulatory and institutional setting particularly for the financial sector and an enabling environment for a dynamic private sector. Investment by the public sector in the physical infrastructure and in social services, especially education, is equally important. The appropriate mix of the above will vary according to the circumstances of individual countries, but the importance of mobilising the maximum investment, efficiently and at remunerative rates of return, should be emphasized;

(vi) Where entrepreneurial capacity and private capital are scarce the public sector will play a significant role in their economies although as these constraints are overcome its significance may diminish. Consequently its efficient management would contribute to both fiscal balance and economic development. The LDCs should adopt measures to secure effective functioning of public enterprises, including where necessary, improved policy mandates, objectives, accounting and institutional procedures, and the opening up to competition;

The indigeneous enterprise sector should be encouraged to play an important role in modernizing LDC economies and achieving national development objectives. Options such as opening up competition to and within the private sector, or co-operatives and gradual privatization will be considered. LDCs will also take measures to create an appropriate legal and institutional framework to encourage entrepreneurs.

(vii) Subsidies and other such measures are useful in some circumstances but should be used after careful examination of other options. When used, it is important that they be carefully targeted, spur growth in specific areas, minimise any consequent distortions and avoid the perpetuation of inefficient, uncompetitive activities. Their continued need and level should be subject to on-going review;

(viii) Price controls which discourage production and investment should be phased out, while other measures to compensate the poor for undue harm should be considered;

(ix) Measures to improve income distribution by removing distortions in the tax system, land reform where appropriate and employment creation are essential complements to sustainable macro-economic policies as they have direct repercussions on the ability and motivation of the population to participate fully in national development endeavours. The provision of basic education, health care and nutrition are critical elements in enabling the disadvantaged and the poor to have the skills, health and knowledge to take advantage of these opportunities and to withstand the effects of natural disasters; and

(x) Performance criteria applied to LDCs by multilateral lending institutions should continue to be adapted to the particular circumstances of these countries and should give due priority to the over-riding policy objective of the LDCs, namely the acceleration of economic growth and long-term development. The programme agreed with multilateral institutions must constitute a coherent strategy for achieving balance and promoting this growth.

16. Performance criteria could embody variables relating to both the external and fiscal balances and inflation rates on the one hand and desirable rates of economic growth and investment on the other. These criteria should reflect explicit assumptions regarding the external environment which affect the ability of the LDC concerned to achieve its goals. Changes in the external environment may render it necessary to review the appropriateness of the policies, time frame or sequencing in which case it is also envisaged development partners would review their external support and, as necessary, provide additional resources. Development partners should bear in mind the possible consequences of their national policies on the international environment and the potential for either rendering more difficult or helping the LDCs in the adjustment process.

B. Financing growth and development

17. Economic growth and long-term development cannot proceed without sufficient resources - domestic and external - to finance investment. Significant additional financial resources will be needed to achieve the objectives of the programme of action. The availability of these resources

depends heavily upon the implementation of the necessary policies to encourage savings and foreign investment, the provision of adequate development assistance and a supportive external economic environment. The magnitude of this task is highlighted by some projections [including those by UNCTAD] that indicate that, even with an appropriate policy environment, a considerable increase in domestic savings and development assistance would be needed for LDCs to reach a modest per capita growth.

1. Domestic resources

18. The mobilization and effective use of domestic savings is one of the imperative elements for sustained and equitable development. Governments of LDCs should endeavour to develop an appropriate network of financial institutions and incentives to encourage private savings; ensure an optimal allocation of resources and strengthen the management of public expenditure including that by parastatals; implement a monetary policy conducive to price stability and confidence; establish a realistic exchange rate; provide investment guarantees and support joint financing facilities; and broaden the tax base without discouraging savings and investment. These policies, and a stable domestic environment and appropriate legal and administrative institutions, will promote domestic savings, reduce capital flight and encourage the repatriation of flight capital.

2. External resources

19. Given the magnitude of the LDCs' development needs and their limited capacity to generate an investable surplus, the volume, timeliness and terms of external financial resources will be critical and should correspond to their immediate short- and long-term development needs. Foreign assistance should serve to promote domestic growth and long-term economic development and transformation so that eventually the LDCs could reduce their dependence on aid.

(a) Volume

Official flows

20. External financial support to complement domestic efforts should be both sufficient in terms of volume and efficient in terms of allocation according

to LDCs' individual development needs and priorities. To help meet the LDCs' external capital requirements for accelerated growth and development, donors should endeavour to [double ODA to LDCs in the next five years as compared to current levels aiming to reach 0.20 per cent of their GNP by the end of the 1990s] OR [reaffirm the 0.15 per cent target, set a five year timetable to achieve it, and seek to exceed this measure] as some have already done OR [provide sufficient aid in accordance with individual LDC needs in support of appropriate domestic policies bearing in mind the need for enhancing the absorption capacity, the need to reduce aid dependence and to broaden the donor base].

21. Developed countries should channel a substantial part of their resources to those appropriate United Nations organizations and bodies which have programmes of special interest and benefit to LDCs. It is noted that the UNCDF and UNDP-SMF have developed a programme focused specifically on LDCs, and the UNDP, UNSO and UNICEF have implemented specific programming criteria to ensure LDC needs are given priority attention. Other UN development agencies are invited to institute specific programmes and measures to the benefit of LDCs.

22. [The United Nations development system should respond effectively to the needs and requirements of the LDCs taking into account their different and complex conditions. The relevant authorities are invited to consider the following:

(i) That the UNDP assign a much higher proportion of the Indicative Planning Figures to LDCs in the course of the Fifth Cycle;

(ii) That encouragement be given to the work of the United Nations Capital Development Fund and that there be an increase in its funding;

(iii) That the International Institute of Law for Development give greater consideration to LDC needs in the training of negotiators and that its work be supported by a greater number of countries].

23. There is a need to increase substantially the overall volume of multilateral assistance to these countries and in view of the importance of multilateral assistance, the international financial institutions and regional development banks are invited to take fully into account the special economic and social conditions of the LDCs. Where appropriate they could establish special programmes. These institutions have a crucial role to play in the design and implementation of economic programmes and could undertake to provide only concessional aid to these countries. Ways and means to increase flows of resources and the augmentation of resources available to these institutions should be considered as a matter of priority.

Private Flows

24. Many LDCs have adopted policy reforms to make their investment climate more conducive to foreign investment. However, the results are in some cases still meagre.

25. In order to enhance the volume of external financial flows, supportive action to expand private, non-debt creating flows, i.e., direct or portfolio investment, needs to be taken. Both the least developed countries and developed countries should consider early implementation of policies to encourage investment including membership of MIGA, conclusion of investment protection and double taxation agreements and examine the possibility of assisting the wider utilization of programmes available under MIGA. Technical assistance in the establishment of financial sector policies and institutions will also be particularly important.

26. [Development partners of LDCs should also continue to provide emergency assistance to LDCs afflicted by food shortages, natural calamities and other emergencies. In observing the International Decade for Natural Disaster Reduction (IDNDR), the international community should give priority attention to solution of problems caused by natural disasters in the LDCs.]

27. [The assistance provided to the least developed countries for programmes for environmental protection should as much as possible be additional].

(b) Aid modalities and aid effectiveness

28. For development assistance to be effective it will need to respond to the overall development objectives of the LDCs and be provided in the context of a supportive domestic economic framework. Further steps should be taken by the development partners to provide bilateral ODA to LDCs essentially in the forms of grants and/or to provide loans on highly concessional terms. The timeliness and the terms of such aid should correspond to these short and long term needs, including the growing requirements of the LDCs adjustment efforts.

29. Institution building and human resource development should be integral elements of all aid activities. Technical assistance should be provided in the context of an overall programmme tailored to the needs of the particular country and should aim to strengthen the capacity of the recipient to formulate and implement policies, programmes and projects to address the structural rigidities of their economies. Efforts to increase absorptive capacity should be an integral part of these programmes so that absorptive capacity is not a constraint on external assistance. Donor agencies should review thoroughly their technical assistance programmes to ensure they retain their original purpose of building LDC capabilities, use local consultants where possible and offer possibilities for joint international action in support of improved management capacity and development of infrastructure.

30. The effectiveness of foreign assistance would be enhanced by the following measures undertaken by development partners and recipient country authorities as appropriate:

- Improved co-ordination of multilateral and bilateral aid;
- Untying of aid to the maximum extent and priority to purchasing from local sources;
- Simplification of procurement including tendering;
- Greater flexibility in assistance for adjustment programmes such as balance of payments support or rehabilitation of infrastructure and sectoral programmes;
- More grant aid or higher concessionality;
- Greater local and recurrent cost support;
- Multi-year programming of technical and financial assistance, as appropriate, in line with structural adjustment programmes;

- Joint programming by donors;
- Timely and predictable disbursement;
- Institutional aid for better management and co-ordination of resources; and
- Increased decentralization and further delegation of authority to the field level.

31. Capital and technical support for small scale activities can be a particularly effective way to benefit lower income groups and contribute to poverty alleviation. It fosters local participation in the national economy and improved access to productive facilities or social services helps them realise their potential. The role of NGOs in development assistance is recognized and they can play a useful role in extending assistance to and within the LDCs in close co-ordination with national authorities. Their contribution would be most effective if made within the framework of goals, policies and priorities outlined in national plans and programmes. In this context, a positive role can be played by indigenous NGOs.

C. External Indebtedness of the LDCs

32. [Many LDCs face serious debt problems, which constitute a major hindrance to their development plans. The debt can also render economic adjustment more difficult by undermining the essential political underpinnings of the commitment to reform].

33. [Debt-distressed LDC should be able to benefit from measures for debt reduction related to its individual circumstances. A number of donor countries have responded favourably to Trade and Development Board resolution 165 (S-IX) of 11 March 1978 by cancellation of official development assistance debt. Other donors, which have not yet done so are urged to implement fully the commitments undertaken. However, as the structure of the LDC debt load is rather unique in that most is owed either to (i) multilateral institutions such as the IMF, World Bank and regional development banks or (ii) official export credit agencies, there is also scope for a review of measures by these institutions to respond to this situation. In view of the essential fungibility of all types of debt relief and resource flows, the provision of development assistance and of debt relief should be treated in a common framework.]

34. [Serious debt problems of the LDCs call for elaboration and implementation of a comprehensive and action-oriented debt strategy specifically tailored to the individual needs of the LDCs.] [As part of this strategy, measures to write-off all debts of LDCs should be considered. Debt cancellation measures should, inter alia, include, in particular, urgent action to fully implement TDB resolution 165 (S-IX) in order to improve financial situation of LDCs and promote their long-term sustained growth. Resources thus provided should be truly additional to aid allocation to the LDCs, and all LDCs should be eligible for such facilities.]

35. [The adoption of the Toronto Terms by the Paris Club provided an important element of debt reduction and relief on official export credits. Participants of the Paris Club are invited to consider extending the Toronto Terms to a greater number of LDCs [widening eligibility to cover all LDCs]].

36. [Also, it may be possible to review the degree of concessionality and amend the terms so as to provide further reduction in the debt burden, as appropriate.] There should be improvement of the Toronto options, inter alia, by (i) encouraging the maximum use of concessional options by creditor countries, both participants and non-participants at the Paris Club; (ii) significantly enhancing the grant element of the measures; (iii) widening the coverage of consolidation to 100 per cent of Paris Club obligation; (iv) applying multi-year rescheduling; (v) ensuring additionality through closer co-ordination between the Paris Club on the one hand, and the UNDP round table and World Bank Consultative Groups for LDCs on the other.]

37. [Possible ways of alleviating the often heavy burden of debt service obligations to the multilateral and regional institutions, while safeguarding the credit worthiness of these institutions, should be urgently studied by them. Such measures could include arrangements for interest-subsidy or refinancing schemes where appropriate, making the terms for past market-rate loans concessional to IDA terms. Such measures could be financed, as is the special trust fund mechanism of the World Bank, by part of the profits earned by creditor institutions and/or new voluntary contributions.]

38. [Those LDCs with overdue obligations to multilateral institutions will need adequate financial resources, possibly through support groups, to help clear arrears. [Consideration could be given to allowing access to resources

provided that the LDC in arrears concerned establishes reasonable record of compliance with the Fund-monitored adjustment programme]. Such assistance would help countries re-gain credit worthiness and access to fresh loans, reschedule debts and facilitate flows of ODA.]

39. [It is useful to examine ways by which debt reduction measures can be applied to commercial debt of individual LDCs. Greater use could be made of debt buy-backs and of debt conversion schemes. Support for such proposals could be examined by international financial institutions, official and agencies or non-governmental development institutions (debt for nature swaps, debt for development swaps). Use could be made of the World Bank Debt Reduction Facility and similar mechanisms. Commercial creditors should also be encouraged to waive, where possible debt service payments directly in favour of debtor LDCs.]

40. [There needs to be a substantial increase in concessional financing, especially in grant form, which should be extended to the LDCs to resume their growth so as to enable them to cope with their debt burden in the long run.]

41. [There is also a need for other measures to alleviate the debt-servicing burden of the LDCs, including technical assistance and measures in such areas as commodities and market access.]

D. External trade

42. It is essential all countries work together to develop a more open, credible and durable multilateral trading system which can contribute effectively to growth and development, particularly through improvements in market access. A successful conclusion to the present Uruguay Round of GATT negotiations would hold the prospect of significant market liberalisation from which all would benefit, including LDCs. Urgent steps are needed to provide improved market access for products originating from LDCs. In this regard, there is scope for further improvement of the GSP schemes, and improved utilisation of the benefits conferred. They also noted that important supportive measures in favour of LDCs could be taken, inter alia, in such areas as duty-free treatment for their exports, exemption from quotas and

ceilings and use of simplified and flexible rules of origin. All countries should strive to realise the principle stated in the Punte del Este Declaration that special attention should be given to the particular situation and problems of the least developed countries and to the need for positive measures to facilitate expansion of their trading opportunities.

1. Diversification

43. A greater diversity of exports would strengthen the domestic economy as well as provide greater stability and predictability in export earnings. LDCs are encouraged to adopt the policies and measures which could stimulate new export sources. Development partners should also extend help, inter alia, through technical assistance in export promotion and diversification either bilaterally or through organizations such as the UNCTAD/GATT International Trade Centre. A number of development partners have programs to promote awareness and use of GSP schemes and these are to be encouraged and to be emulated by others. Exports could be further promoted through an improvement of the quality and packaging of products, using appropriate advertising techniques and with improved management and export marketing. The experience and expertise of other developing countries could be valuable for the LDC authorities and private sector.

44. Import procurement operations are an important and integral part of international trade and LDCs stand to gain from saving valuable foreign exchange by prudent sourcing of imports. Assistance towards import management and planning would contribute considerably in this respect.

2. Access to markets

[45. Within the framework of the multilateral trade negotiations, special consideration of LDC needs should be given and, to the extent possible, of the following:

(a) Advanced implementation for LDCs of MFN concessions made by contracting parties in the GATT;
(b) Greatest possible reduction as soon as possible of tariff and non-tariff barriers on products of actual and/or potential export interest to LDCs;

(c) Fullest possible liberalisation of trade in textiles and clothing for LDCs including withdrawal of existing restraints and exemption of LDCs from any new restraints not in accordance with GATT disciplines;

(d) Examination of possible modalities for special treatment for the LDCs for tropical products of special interest to them;

(e) Special consideration in the application of strengthened GATT disciplines and codes;

(f) The time scale required by the LDCs to implement the inclusion within the GATT of multilateral rules in new areas such as services, investment and intellectual property.]

OR

45. [Within the framework of the multilateral trade negotiations, special consideration of LDC needs, and the following proposals, should be given:

(a) Elimination of all tariffs and non-tariff barriers on products of actual and/or potential export interest to LDCs [including tropical, agricultural and natural resource-based products as well as marine resources];

(b) Advanced implementation in favour of the LDCs of all MFN concessions made by contracting parties in the GATT;

(c) Exemption from the safeguard clause, from product withdrawals and graduation as well as from quotas and ceilings;

(d) Long-term guaranteed maintenance of GSP commitments;

(e) Application of flexible rules of origin and facilities for LDCs' participation in trade fairs, establishment of import promotion offices by donor countries and increasing technical assistance;

(f) Increasing attention needs also to be given to restrictive business practices with a view to accommodating the interests of the LDCs;

(g) Exemption of LDCs from any agreements/arrangements resulting from the negotiations in TRIPS and TRIM so that they do not prevent the LDCs from adopting measures and policies in those areas which would assist their economic development and provide for improved access to, and ensure effective transfer of technology. Special consideration in the application of strengthened GATT disciplines and codes and in the inclusion within the GATT of new areas including services;

(h) Withdrawal of existing restraints on exports of textiles and clothing against the LDCs, and exemption of LDCs from any new restraints;

(i) Special treatment for the LDCs in the case of tropical and other products of special interest to them].

46. [There exists scope for greater utilization and improvement of GSP schemes by expanding the coverage to include all LDCs, increasing the range of products or tariff concessions, providing for special flexibility or deregations in the field of rules of origin, exemption from quotas or ceilings and providing greater guarantees or stability in the maintenance of GSP systems. LDCs should make efforts to utilize more fully existing GSP systems. GSP systems are often quite complex and developed countries are urged to make further efforts to simplify procedures and assist LDCs to take advantage of the GSPs. In many cases however, LDCs may find it difficult to fully exploit GSP opportunities because of their weak and narrow economies. This underscores the need for parallel progress in institution building, the development of the private sector, and development partner assistance to help in export promotion and diversification.]

47. Preferential measures in favour of LDCs need to be considered in the context of bilateral arrangements with their neighbours, as well as regional and subregional groupings of developing countries, taking into account the interests of LDCs during implementation of other regional integration schemes by developed countries. Consideration should be given to provision of more favourable and non-reciprocal coverage to LDCs' products under the Global System of Trade Preferences (GSTP). Provision should also be made for special transit facilities for land-locked and island LDCs and development partners are called upon to assist in these efforts.

3. Commodities

48. Commodity exports play a key role in the economies of LDCs, making a crucial contribution to export earnings and investment but the decline in many commodity prices in the 1980s caused significant difficulties. The international community could consider assistance and other forms of multilateral cooperation in the field of commodities to improve transparency

and market access, reduce trade distortions and improve dialogue on supply and demand conditions. Members of the Common Fund using the Second Window and individual development partners using their own resources could provide assistance to identify and design projects which could be helpful in assisting LDCs to reduce their high dependence on one or two commodities [and pursue market-oriented approaches in their export strategies]. [With regard to commodity arrangements measures to help the LDCs, e.g., exemption from quota restrictions and obligations to share financial costs and support efforts to bring about improved functioning and revitalisation of existing commodity agreements which reflect and are consistent with market trends.]

4. Compensatory financing

49. In the long-term, it is crucial that the LDCs find the means to diversify their exports. In the short-term, however, the volatility of commodity prices means there is a need for compensatory finance and appropriate producers policies to help absorb the shock of sharp swings in export receipts so that LDCs can maintain a stable economic policy framework. In the present review of the IMF's CCFF, member governments might wish to explore ways to facilitate LDC access on terms and conditions which are appropriate to their economic situation. [There could also be a review of compensatory financing mechanisms to make them faster and more efficient]. Also assistance of the World Bank unit responsible for helping commodity-exporting developing countries e.g., training in coverage techniques, contracts negotiations and technical assistance could help LDCs minimize the risk of export earnings fluctuations.

50. [In this connection:

(i) The various compensatory schemes of IMF including its new Compensatory Contingency Financing Faculty (CCFF) scheme, could consider practical measures to facilitate the access of LDCs under terms and conditions that are not excessively burdensome;

(ii) Possibilities should also be explored to mobilize additional resources to provide more automatic compensation to LDCs export-earnings shortfalls;

(iii) These could take the form of increasing the availability of financial resources at their disposal and commodity coverage. The non-EEC countries may consider setting up exclusively for the LDCs a scheme similar to STABEX.]

E. Strengthening cooperation between LDCs and other developing countries

51. Strengthened co-operation between LDCs and other developing countries, as appropriate at regional and subregional levels, can play an important role in the development efforts of the LDCs during the 1990s. Arrangements in this connection should aim at providing greater and preferential access of LDC products to regional markets, importing LDCs products on a long-term secured basis, providing financial and technical co-operation for the benefit of LDCs, enhancing exchange of information and know-how, increasing collaborative ventures, and as regards land-locked LDCs, facilitating the flow of goods in transit. Some developing countries may have expertise which could be useful for LDCs and the possibility of development partners funding projects to bring this assistance to them, should be explored.

52. There are a number of multi-country programmes which could be very important to many LDCs, in particular, arrangements for joint exploitation of common river basins or other resources. These and other multi-country efforts should be considered for support from the international community especially where the investments may be too large for national governments and it holds the potential for significant economic and structural change.

V. Arrangements for Implementation, Follow-up and Monitoring and Review

53. Effective follow-up and monitoring mechanisms should support the development efforts of the LDCs and are a key to the successful implementation of the programme of action for the 1990s.

A. National Level

54. A strengthened country review process should continue as the principal means of policy dialogue and co-ordinating the aid efforts of development partners with the development programmes of the LDCs as well as mobilizing the required resources for their implementation. Mechanisms such as the UNDP Round Tables and World Bank Consultative Groups will continue to constitute the backbone of the process to translate the principles and commitments of this programme of action into concrete measures at the national level. The leadership of the LDC Governments is central to this process, assisted by development partners to strengthen their capacity to fulfill this role. These Round Tables and Consultative Groups should be held at the initiative of the LDC Governments.

55. The development partners should support agreed objectives and policies designed by the LDCs following consultation and as set out in medium-term programmes. Linkages between the macro-economic framework and sectoral strategies should be central to the process and reviewed and adapted regularly in the light of the evolution of the domestic and international environment while maintaining the overall long-term objectives and strategy.

56. On the basis of each LDC's mutual commitment to a long-term policy framework plan, development partners will undertake to commit adequate financing for the implementation of the plan. This requires that country review groups supporting LDC policy framework plans take a comprehensive approach to the financial flows needed during the agreed plan considering the outstanding debt of the LDC concerned and the scope for debt reduction [including debt cancellation]. [Policy framework papers prepared by the country in close collaboration with the IMF and the World Bank which form the basis of support from those institutions and other donors is one such approach.]

57. Aid co-ordination is the key element for maximising the efficiency of the external support under the leadership of LDC governments. Efforts should be made to avoid parallel systems of targetting, programming and co-ordinating the allocation of resources.

58. The country review groups should be organized on a more systematic basis and include all concerned donors. LDCs which do not have regular country review groups should adopt this process. Country review meetings should be convened approximately every one to two years to build and maintain sustained momentum for development progress and improved aid co-ordination. Mechanisms chosen for these reviews should be fully committed to this time frame. Progress in meeting complementary commitments under the LDC policy framework plan should be monitored prior to each Consultative Group and Round Table meeting in a report prepared by each LDC Government and the World Bank or UNDP as part of the documentation for the country review meeting. Furthermore, the latter should be buttressed by adequate follow-up arrangements, including sectoral and other ad hoc consultations. The conclusions of these meetings should be so formulated as to clearly identify the respective commitments of the participants.

59. A successful country review process requires an effective economic and technical capacity to carry out the necessary policy development and co-ordination. In particular, the responsibilities of the national planning agency and the finance ministry should be firmly delineated and made complementary. Similarly, the central point for aid co-ordination should be clearly identified, vested with adequate authority and strengthened in staff and skills as necessary.

60. In order to improve the capacity of LDCs in aid co-ordination and management, the overall capacity of the Government has to be improved, for the institutional requirements of aid co-ordination cannot be isolated from the overall improvements that are necessary in the administrative system of LDCs. Technical assistance - in particular from UNDP and the Special Measures Fund for LDCs - can constitute a key element for supporting this process of institutional building and human resource development: it can greatly help the LDCs to formulate structurally sound and operationally relevant policies, priorities and programmes including in the field of macro-economic planning. This will provide a better basis for sectoral management and aid co-ordination [and ensure the co-ordination activities take into consideration the capacity of individual LDCs.]

61. The individual countries should play a leading role in the activities of the local co-ordinating groups, the principal fora where policies, perceptions and responses are co-ordinated and agreements are reached on specific programmes and commitments. [The follow-up at national level organized by the recipient country itself, though with the help of bilateral and multilateral donors, should be administratively sustainable for the recipient country]. It would also be useful to develop a structure, with the local co-ordinating group at the apex supported by sectoral, subsectoral and implementation-related groups. [The local co-ordinating groups should establish linkages with national and foreign NGOs working in the country, not only to avoid duplication in efforts but also to draw on the experiences and insights of NGOs, which work largely at the grass-roots level and with the underprivileged sections of the population, which could then be incorporated into related official policies and activities]. The process described above is not easy and it might be desirable to focus attention initially on several particular cases until sufficient experience is attained and it is possible to extend the process beyond the initial pilot cases.

B. The regional level

62. Progress in economic co-operation between LDCs and other developing countries, particularly countries in the same region should be monitored by the United Nations regional commissions in close co-ordination with UNCTAD. Cluster meetings should be organized regularly, preferably every two years, under the aegies of the regional commissions, and with all countries concerned, in order to improve and strengthen existing co-operation arrangements at the regional and sub-regional level. The success of SADCC, CILSS, IGADD and UMA in performing a useful subregional co-ordinating function is instructive of what can be achieved. The regional commissions should also ensure that the needs and problems of the LDCs are addressed as part of their ongoing work and, in this manner, should continue to contribute to the follow-up process.

C. The global level

63. Arrangements for monitoring, follow-up and review at the global level are an integral part of the overall process being all complementary and supportive to the above-mentioned arrangements at the country and regional level. This follow-up at the global level, which should be business-like, should focus on these main elements:

(i) Analysing and comparing the experience and lessons learned from formulating and implementing the policy framework plans and the functioning of the country level co-ordination arrangements;

(ii) Assessing, on a regular basis, the economic and social performance of the LDCs, in the context of the international environment and domestic factors;

(iii) Monitoring the implementation of the commitments and measures contained in the programme of action; and

(iv) Reviewing the progress of development partners in responding to [and adjusting their assistance and [other co-operative efforts such as trade to the evolving priorities] and] special needs of the LDCs.

64. In co-operation with other concerned organizations of the United Nations system, UNCTAD, as part of its ongoing work, should continue to serve as the focal point for the review and appraisal of the implementation of the programme for the 1990s and support to the follow-up at the global level. [It is recommended that the capacity and resources of the Secretariat's Special Programme for the least developed countries to collect and analyse information and to prepare substantive documentation, be strengthened for this purpose.] [The Secretary-General of the United Nations would be invited to provide substantially increased resources including financial and personnel for this purpose]. [The Secretariat should carry out its mandate, within existing resources, in a manner similar to that of the SNPA].

65. In addition to UNCTAD's Annual Report, the [UNCTAD Intergovernmental Group on the LDCs should be convened every two [three] years, to carry out a review of the progress of implementation of the programme of action]. [One of which] [Besides, there] should be a comprehensive mid-term review to carry out a review of the situation of the LDCs, progress in the implementation of the programme of action, and to consider new measures as necessary. As part of the global monitoring and review process, a comprehensive appraisal of the implementation of the programme should be undertaken [considered] at the end of the 1990s [as part of the last three yearly review]. Reports of the UNCTAD Intergovernmental Group will be made available to the General Assembly. [Furthermore each session of UNCTAD should review the progress of implementation of the programme and identify bottlenecks in its implementation and suggest corrective measures.] A sectoral appraisal of the implementation of the programme should also be undertaken at regular intervals by the agencies most concerned.

66. In order to make the necessary links between the follow-up at the national level and the global level, the UNCTAD secretariat should participate in the meetings of UNDP round tables and be invited to attend World Bank consultative groups. [Attendance at World Bank Consultative Groups should also be considered]. [Furthermore participants representing donor countries and agencies should be equipped with the necessary authority.]

67. The Director-General for Development and International Economic Co-operation, in close collaboration with the Secretary-General of UNCTAD, the Executive Secretaries of the regional commissions and the lead agencies for the aid groups, should ensure at the secretariat level the full mobilization and co-ordination of all organs, organizations and bodies of the United Nations system for the purpose of implementation and follow-up of the Programme of Action. The LDC focal points in each United Nations agency, should be established when they do not exist and existing ones strengthened in order to get involved actively for the implementation tasks over the decade.

68. [All development partners, UNCTAD and the United Nations agencies should assist LDCs to undertake consultations among themselves on matters of particular interest to them in the context of the implementation of the programme of action.]

69. [The Committee on Development Planning has the mandate to evaluate the constituent criteria of the concept of an LDC. It is encouraged to review the criteria established in 1971 and its application and propose formulas whereby a country in the process of development can emerge from the LDC category.]